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United States
Department of
Agriculture

Federal Grain
Inspection
Service



Annual Report to Congress, 1987

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AUTHORITY

The United States Grain Standards Act (Act), as amended, requires the Administrator of the Federal Grain Inspection Service (FGIS) to submit a report on December 1, of each year, to the Senate and House Committees on Agriculture on the effectiveness of the official inspection and weighing system for the prior fiscal year and make recommendations for legislative changes to accomplish the objectives of the Act.

The Act also requires the Administrator to submit a summary of valid complaints received and their resolution by the U.S. Department of Agriculture (USDA) during the prior fiscal year from foreign purchasers and prospective purchasers of United States grain. This summary is included as part of the annual report.

MISSION

The mission of FGIS is to provide for the establishment of official United States Standards for Grain, to promote the uniform application thereof by official inspection personnel, to provide for an official inspection system for grain, and to regulate the weighing and the certification of the weight of grain shipped in interstate or foreign commerce, as authorized by the U.S. Grain Standards Act, as amended, and the regulations thereof; and to carry out the delegated responsibilities under the Agricultural Marketing Act of 1946.



United States
Department of
Agriculture

Federal Grain
Inspection
Service

Washington,
D.C.
20250

December 1, 1987

Honorable E (Kika) de la Garza
Chairman, Committee on Agriculture
House of Representatives
Washington, D.C. 20515

Honorable Patrick P. Leahy
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

Dear Chairman:

In compliance with the United States Grain Standards Act (Act), as amended, the Federal Grain Inspection Service (FGIS) submits its fiscal year 1987 Annual Report to Congress. This report includes a descriptive summary and an evaluation of FGIS' principal program activities with financial and statistical data, where appropriate. The report also evaluates the FGIS internal accounting control system and the compliance with applicable statutes and regulations. Further, the effectiveness of the national inspection and weighing system is evaluated as part of the Report.

Public Law 98-469, enacted October 11, 1984, extended FGIS programs through the end of fiscal year 1988, authorized the Secretary of Agriculture to invest sums collected from user fees, and increased to 40 percent the limitation on administrative and supervisory costs. FGIS has submitted legislation to reauthorize the sunset provisions of the statute to continue its programs and the FGIS Advisory Committee through September 30, 1992.

The Grain Quality Improvement Act of 1986, Public Law 99-641, was enacted November 10, 1986, to improve the quality of U.S. grain. This law prohibits (1) dockage or foreign material once removed from grain from being recombined with any grain; (2) dockage or foreign material from being added to grain; and (3) reintroduction of dust to grain once removed. The USDA was also directed to publish a final rule to more accurately describe the level of insect infestation in grain; conduct studies of premiums for high-quality grain and uniform end-use value tests; and publish the optimal grain grading proposal. On June 30, 1987, FGIS published amendments to the regulations and the Official U.S. Standards for Grain to implement the provisions of this law. We plan to request an additional \$1 million in fiscal year 1989 to cover the increased costs involved in administering the law.

FGIS' operating revenues during fiscal year 1987 were \$32.4 million, with obligations of \$29.5 million, yielding a positive net operating margin of \$2.9 million. The total revenues included interest of \$251,000 on investments of \$5.0 million of fee account funds. The revolving fund closed the fiscal year with an unobligated balance of \$10.5 million, which represents 4.3 months operating reserve.



The Federal Grain Inspection Service
is an agency of the
United States Department of Agriculture

Honorable E (Kika) de la Garza
Honorable Patrick Leahy

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Total revolving fund program obligations (actual operations) of \$29.5 million for this fiscal year were \$0.1 million below last year's level of \$29.6 million. Administrative and supervision costs represented 32.1 percent of total program costs, which is below the statutory limit of 40 percent. Appropriated obligations of approximately \$6.7 million plus revolving fund obligations of \$29.5 million totaled \$36.2 million, \$0.2 million over fiscal year 1986 total program obligations. The operating budget for fee-supported activities ended the fiscal year at 81 percent of the total obligations.

Because FGIS earned a \$2.9 million positive net operating margin, the \$2.0 million balance of the \$6.0 million supplemental budget appropriation was repaid this fiscal year to the U.S. Treasury. This supplement was received in fiscal year 1984 to recapitalize the revolving fund account.

Effective January 5, 1987, FGIS increased its fees by 17 to 42 percent for official inspection and weighing services performed under the Act. In addition, a fee was established to cover the costs incurred for the supervision of official Class Y weighing services performed by agencies for shipments destined for domestic markets. The fee increases covered FGIS operating costs in addition to maintaining applicable operating reserves. FGIS continues to monitor fees and cost-revenue patterns.

The FGIS Advisory Committee continues to play an important role in providing relevant advice to the Administrator on the programs and activities of FGIS. During the past fiscal year, the full Committee met quarterly and held one subcommittee meeting. The Committee addressed such issues as the implementation of the Grain Quality Improvement Act of 1986, uniform loading plans, wheat protein, deceptive practices, sorghum damage and odor, and financial management. The Committee specifically recommended that FGIS (1) lower by 0.2 percent protein the base line value for Hard Red Spring wheat and rebias the near-infrared (NIR) instruments accordingly; (2) should not prohibit recombining or adding dockage or foreign material to grain; (3) should not prohibit adding recirculated dust to grain; (4) should not amend the U.S. grain standards to treat all insects the same or use the same insect tolerance for all grains; and (5) should prohibit adding sweepings back to grain.

In summary, FGIS continues to strive to operate its programs in the most cost-effective and efficient manner possible. In the view of its constituent groups, FGIS is perceived as providing a needed service.

Sincerely,

W. Kirk Miller

W. Kirk Miller
Administrator

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INTRODUCTION

Concerns

(1) Impact of Gramm-Rudman-Hollings on User Fee Funding

For fiscal year 1988, G-R-H, the deficit reduction law if implemented, would require an 8.5-percent cut in FGIS programs. User fees represent approximately 81 percent of the FGIS total operating budget. The effect of G-R-H would be to lower the ceiling on the volume of U.S. grain exports FGIS could officially weigh and inspect. This action would not reduce the deficit because fee account funds consist of industry-generated fees that do not revert to the U.S. Treasury. The G-R-H would limit the volume of grain exported from the United States which is inconsistent with the Congressional policy established in the 1985 Farm Bill that directs the USDA to enhance U.S. exports.

(2) Wheat Classing

There is a continuing effort to develop an objective, analytical method for classing wheat that reflects end-product qualities. A consolidated, cooperative effort under the direction of FGIS and Agricultural Research Service (ARS) is taking place to address this concern.

(3) Wheat Protein Complaints

Certification of wheat protein content continues to be a problem. Trading is based on small increments (as small as 0.1 percent) which are beyond the reference method precision. Wheat protein complaints often occur when results in shipments from one place to another vary between laboratories. Several procedural improvements and the modification and annual updating of calibrations are being implemented to improve accuracy and repeatability. We have also provided special training for instrument operators and a new quality control program for monitoring instruments. The direct monitoring between the FGIS quality control reference/monitoring laboratory and inspection points and new national reference samples for standardizing the equipment are additional steps taken to minimize the protein differences.

FGIS Grain Quality Reports, 1986

For the third year, FGIS has published crop quality reports for wheat, corn, and soybeans exported from the United States. In calendar year 1986, these reports were expanded to include domestic quality information.

FGIS analyzed quality data from 2,243 export wheat lots inspected during calendar year 1986. The data represented 99.5 percent of the total 912 million bushels of wheat inspected for export during 1986. Wheat represented 30 percent of the total 3.03 billion bushels of grain exported in 1986. Wheat exports increased from 904.6 million bushels in 1985 to 911.7 million bushels in 1986. Ninety-four percent of the wheat inspected for export in 1986 was U.S. No. 2 or better. Quality factor averages remained well within the allowed percentages for U.S. No. 2 grade and U.S. No. 3 grade wheat for each wheat class.

FGIS analyzed quality data from 1,100 export corn lots inspected during calendar year 1986. The data represented 98.2 percent of the total 1,071 million bushels of corn inspected for export during 1986. Corn represented 35.3 percent of the total 3.03 billion bushels of grain inspected for export in 1986. Corn exports decreased from 1,721 million bushels in 1985 to 1,071 million bushels in 1986. In 1986, 37.8 percent of corn inspected for export was U.S. No. 2 grade or better, and 61.8 percent was U.S. No. 3 grade or better. Quality factor averages remained well within the allowed percentages for U.S. No. 2 grade and U.S. No. 3 grade corn for each corn class.

FGIS analyzed quality data from 899 export yellow soybean lots inspected during calendar year 1986. The data represented 98.5 percent of the total 789.7 million bushels of soybeans inspected for export during 1986. Soybeans represented 26 percent of the total 3.03 billion bushels of grain inspected for export in 1986. Soybean exports increased from 617.0 million bushels in 1985 to 789.7 million bushels in 1986. In 1986, 86.9 percent of soybeans inspected for export were U.S. No. 2 grade or better, and 10.1 percent were U.S. No. 3 grade. Quality factor averages remained well within the allowed percentages for U.S. No. 2 grade and U.S. No. 3 grade soybeans.

Functions Performed

FGIS administers and enforces the United States Grain Standards Act (Act). U.S. grain standards for corn, wheat, rye, oats, barley, flaxseed, soybeans, sorghum, mixed grain, sunflower seed, and triticale have been established under the Act. The Act requires a national inspection and weighing system for grain; requires that export grain be inspected and weighed under the Act; prohibits deceptive practices and criminal acts with respect to the inspection and weighing of grain; and provides penalties for violations.

In administering and enforcing the Act, FGIS:

- establishes official grain standards based on grading factors and other official criteria for measuring and describing grain quality;
- establishes methods and procedures and approves equipment for the official inspection and weighing of grain; 1/

1/ Official Inspection. The determination (by original inspection, reinspection, and appeal inspection) and the certification by official personnel of the kind, class, quality, or condition of grain under standards provided for in the Act; or the condition of vessels and other carriers or receptacles for the transportation of grain insofar as it may affect the quality of such grain; or other facts relating to grain under other criteria approved by the Administrator (the term "officially inspected" shall be construed accordingly).

Official Weighing. (Referred to as Class X weighing.) The determination and certification by official personnel of the quantity of a lot of grain under standards provided for in the Act, based on the actual performance of weighing or the physical supervision thereof, including the physical inspection and testing for accuracy of the weights and scales, the physical inspection of the premises at which weighing is performed, and the monitoring of the discharge of grain into the elevator or conveyance. (The terms "officially weigh" and "officially weighed" shall be construed accordingly.)

- delegates qualified State agencies to inspect and weigh grain under the Act at certain export port locations; 2/
- designates qualified State and private agencies to inspect and weigh grain under the Act at interior locations;
- provides official inspection and weighing services at certain export port locations in the Atlantic, Great Lakes, Gulf, and Pacific Coast States; and official inspection at certain port locations in Eastern Canada of U.S. grain;
- provides appeal inspection services in the United States and at certain export port locations in Eastern Canada of U.S. grain; 3/
- provides Federal oversight and monitors the official inspection and weighing of grain by delegated States and designated agencies under the Act; and
- investigates apparent violations of the Act in cooperation with the Office of Inspector General (OIG), and recommends appropriate action.

The Act requires, in some instances, that grain be officially inspected and weighed. In other instances, official inspection and weighing are not required but may be obtained by officially requesting such services. In both instances, official inspection and weighing services are performed on a fee basis.

2/ Export Port locations. Commonly recognized ports of export in the United States or Canada, as determined by the Administrator, from which grain produced in the United States is shipped to any place outside the United States. Such locations include any coastal or border location or site in the United States which contains one or more export elevators, and is identified by FGIS as an export port location.

3/ Appeal Inspection Service. An official review by a field office of the results of an original inspection service or a reinspection service.

FGIS administers and enforces certain inspection and standardization activities related to grain products and other commodities under the Agricultural Marketing Act of 1946 (AMA), such as beans, lentils, peas, rice, and hops. Services provided under the AMA are performed upon request on a fee basis.

**Requested
Services**

Official inspection and weighing of U.S. grain destined for domestic consumption, with few exceptions, are performed on request and require payment of a fee by either the buyer or seller of the grain. These services are provided by designated agencies which employ approximately 4,174 agency personnel licensed by FGIS to provide such services in accordance with the regulations and instructions. FGIS' supervision and administration costs have been funded by user fees since October 1, 1981.

Inspection and weighing services provided under the AMA are performed on request for both domestic and export shipments. These services are provided either by FGIS employees, individual contractors, or through cooperative agreements with States.

**Mandatory
Services**

Under provisions of the Act, grain exported from export port locations must be officially weighed. A similar requirement exists for inspection except for grain which is not sold or described by grade. The Act also requires that intercompany barge grain received at export port locations be officially weighed. Grain facilities that notify FGIS of their plans to export less than 15,000 metric tons annually are exempt from mandatory inspection and weighing requirements of the Act. Mandatory official inspection and weighing services are provided at 59 export elevators by approximately 851 FGIS full- and part-time employees. Eight delegated States with approximately 664 employees provide official services at an additional 30 export elevators under direct FGIS oversight. Grain exported by rail or truck to Canada or Mexico is exempt from official inspection and weighing requirements of the Act.

FGIS carries out its inspection and weighing services through a headquarters staff and a field staff comprised of 28 field offices, 2 Federal/State offices, and 8 suboffices. The offices are located in 24 States and Canada to serve the needs of the grain industry. The objectives of the field offices are to provide efficient and timely services, monitor the activities of delegated and designated agencies, and promote a cooperative working relationship with the grain industry.

The FGIS supervision function represents an integral part of the national inspection system. It is defined as the effective guidance of agencies, official personnel, and others who perform activities under the Act to assure the integrity and accuracy of the program activities. Supervision includes overseeing, directing, and coordinating the performance of activities under the Act, reviewing the performance of these activities and effecting appropriate action. FGIS supervisory personnel supervise agencies, official personnel, and others who perform activities under the Act. Agency supervisors are responsible for the direct supervision of their own official personnel and employees. FGIS provides oversight, guidance, and assistance to agencies as they carry out their responsibilities.

FIELD MANAGEMENT DIVISION

The Field Management Division (FM) is responsible for directing the operation of FGIS field offices; developing inspection and weighing policies and procedures; facilitating improvements in the quality and marketing of grain, rice, and other commodities; overseeing delegated and designated inspection and weighing agencies; and monitoring the quality of grain as it moves through the marketing system.

In response to the continued low volume of grain inspected and weighed in fiscal year 1987, FGIS closed one field office and significantly reduced the staff of two others to contain costs. These efforts and other program adjustments were effective in preventing operating losses. To further reduce costs in fiscal year 1988, FGIS will investigate the feasibility of (1) establishing a national, fee-supported moisture calibration program; (2) testing nonofficially-used inspection equipment; (3) transferring FGIS' test weight reverification responsibilities to the States; and (4) making further field office realignments.

FGIS is continuing to develop a wheat classification system that will utilize an objective, analytical method and will reflect end-product qualities. In fiscal year 1987, FGIS, in collaboration with the Wheat Classification Working Group, completed its review of the available automated techniques for varietal identification, physical means for determining hardness, and end-use properties of spring and winter wheat. The Working Group was established by FGIS in fiscal year 1986 to address the wheat classification problem. The group is made up of representatives from FGIS, the scientific community, producer groups, and trade organizations.

In fiscal year 1988, FGIS will analyze a large number of market wheat samples using a single seed hardness tester and a (NIR) reflectance hardness test. FGIS is optimistic that an objective method for distinguishing hard and soft wheats will be available for widespread use within 2 years.

Several decisive steps were also taken last year to improve the accuracy and repeatability of protein determinations:

- (1) Lowered by 0.2 percent protein the base line value for Hard Red Spring wheat and rebased the NIR instruments accordingly;
- (2) Implemented new protein testing procedures;
- (3) Distributed new protein reference samples to all official inspection offices;
- (4) Required use of an auto-feeder with the sample grinder to ensure sample uniformity; and
- (5) Changed procedures to require wheat protein to be certificated based on a constant 12.0 percent moisture.

Last year, FGIS made a significant technological advance in the reverification of large block weights for accuracy. These weights are installed at grain facilities for use in testing scales. In the past, these weights have been reverified by using mechanical weighbeams. The weighbeams are expensive, cumbersome, and not easily shipped. In fiscal year 1987, FGIS assembled an electronic mass comparator that utilizes digital, load cell technology. With the cooperation of the National Bureau of Standards, FGIS has been able to achieve a heretofore unobtainable level of instrument stability. This new device will enable FGIS to significantly improve services and reduce the costs associated with test weight reverification work.

In fiscal year 1987, the final rule implementing the Grain Quality Improvement Act was issued. This final rule tightens the tolerances for the presence of live insects in grain. It also establishes restrictions on certain grain handling practices. The restrictions are designed to implement the Act's stipulation that dockage and foreign material, once removed from grain, shall not be recombined with any grain; and no dockage or foreign material of any origin can be added to any grain. Under the new regulations, blending of like grains of different qualities as well as the recombination of broken corn and broken kernels will be permitted. Additionally, the final rule generally prohibits the recombination or addition of grain dust at export facilities.

FGIS also continued to take necessary action to further improve the quality of grain. Specific initiatives include:

- (1) Reviewing the procedures for the detection and suppression of insect infestation;
- (2) Developing a comprehensive directive dealing with the safe, effective fumigation of railcars, barges, and ships filled with grain;
- (3) Revising the U.S. Standards for wheat to require that dockage be certificated to the nearest 0.1 percent; and
- (4) Establishing improved procedures for detecting the presence of treated grain in grain marketed for human or animal consumption.

FGIS also continued work on an automated information system for the Commodity Testing Laboratory. All necessary hardware has been purchased and system design work has been completed.

During the last year, FGIS concluded its evaluation of the Uniform Shiplot and Combined Lot Inspection (Cu-Sum) plan, an online acceptance sampling plan using statistically based tolerances to monitor the overall quality of export grain shipments. Based on this evaluation, FGIS plans to initiate action to improve the inspection plan's performance. Specifically, FGIS proposes to tighten the tolerances used to compensate for known variations, limit the number of field review inspections from two to one, average the review inspection results with the original inspection results unless an error was made, and increase the amount of grain considered

inferior if a tolerance is exceeded. FGIS also proposes to include wheat protein under the modified Cu-Sum plan to improve the overall reporting of protein quantity.

The format of the Official U.S. Standards for Grain was also changed last year to make the standards more uniform and understandable among the different grains. The key features of the change were the establishment of a new subpart that contains definitions and procedures common to all grain standards; the requirement that all percentages be rounded using a uniform mathematical method; and the adoption of certain changes to the barley standards. To facilitate future changes in the standards, responsibility for their review and development was transferred to the FM effective on October 1, 1987.

Last year, FGIS established provisions for applying additives to grain for the purpose of controlling insects and fungi, suppressing dust, and identifying grain. Accordingly, certain types of mineral and vegetable oils approved by the Food and Drug Administration (FDA) may be applied to grain to suppress dust.

FGIS developed its Vulnerability Reduction Program (VRP), in response to the OIG's report entitled "Survey of Automated Grain Weighing Systems." The report indicated that FGIS is vulnerable to security breaches at facilities where automated grain weighing and material handling systems are interfaced to computers and programmable controllers. The VRP was designed and implemented to determine the degree of vulnerability and to develop cost-effective methods for reducing it. The program findings indicated that the methods presently used at these affected facilities were adequate to assure grain flow integrity and system security. Further, specific recommendations were made and implemented that will enhance the present security measures.

For fiscal year 1988, FGIS will continue to pursue cost-saving measures, improved inspection and weighing methods, and solutions to grain quality concerns. The wheat classification problem will be a high priority, as will implementing the recommended improvements to the Cu-Sum plan. FGIS will also complete the automation of the Commodity Testing Laboratory which will significantly increase the accuracy and timeliness of the work.

Inspection Program Data

Item	Fiscal Years		
	1985	1986	1987
Quantity of Grain Produced* (MMt) <u>1/</u>	399.6	364.1	329.5
Quantity of Grain Officially Inspected (MMt)			
Domestic	168.0	164.8	185.0
Export	<u>101.1</u>	<u>82.8</u>	<u>98.1</u>
Total	<u>269.1</u>	<u>247.6</u>	<u>283.1</u>
Number of Delegated States/Official Agencies	82	80	80
Number of Official Original Inspections and Reinspections			
FGIS	198,685	205,275	217,072
Delegated States/Official Agencies	<u>2,761,192</u>	<u>2,817,161</u>	<u>3,119,253</u>
Total	<u>2,959,877</u>	<u>3,022,436</u>	<u>3,336,325</u>
Number of Official Inspection Supervisions	42,715	42,676	43,590
Number of Official Protein Supervisions <u>2/</u>	34,000	34,000	34,600
Number of Appeals	16,436	11,370	16,976
Number of Appeals Carried to BAR <u>3/</u>	1,359	1,937	3,333
Number of BAR Inspection Supervisions	15,000	8,750	9,980
Number of Protein Inspections			
FGIS	43,639	46,779	54,810
Delegated States/Official Agencies	<u>527,706</u>	<u>573,581</u>	<u>604,715</u>
Total	<u>571,345</u>	<u>620,360</u>	<u>659,525</u>
Number of Aflatoxin Inspections	20,339	11,525	13,789
Quantity of Rice Inspected (MMt) (milled basis)	3.0	4.1	4.1
Number of Foreign Quality Complaints	71	42	59

* Calendar Year. Source: National Agricultural Statistics Service

1/ Million metric tons

2/ Estimate

3/ Board of Appeals and Review

Weighing Program Data

Item	Fiscal Years		
	1985	1986	1987
Official Weight Certificates Issued			
FGIS			
Class X*	108,894	110,194	120,714
Class Y**	33,216	18,335	14,678
Total	142,110	128,529	135,392
Delegated States/Official Agencies			
Class X*	186,038	127,843	131,328
Class Y**	88,698	97,334	110,705
Total	274,736	225,177	242,033
Export Grain Weighed (MMt)			
FGIS	78.2	63.3	75.5
Delegated States	22.9	18.2	20.5
Total	101.1	81.5	96.0
Number of Certified Scales in Service - Export Elevators	455	455	455
Number of Railroad Track Scales Tested	100	123	123
Number of Foreign Weight Complaints	3	3	1

* Class X is 100 percent supervision

** Class Y is a minimum of 25 percent supervision

RESOURCES MANAGEMENT DIVISION

The Resources Management Division (RM) is responsible for the overall planning, coordinating, and monitoring of all financial management, manpower planning, and ceiling control necessary to carry out the functions of FGIS. Internal support services provided by RM include: budget and financial management; information resources management; program analysis; automated data processing services; technical and program training; safety and health, including Office of Workers' Compensation Program management; performance measurement systems for the national inspection system; maintenance of USDA's Explosion Reporting and Tracking System; coordinating management improvement initiatives; public information efforts, both internal and external; and providing, securing, or negotiating for all other resources or services needed to operate and manage the organization.

RM continued to work on improving the FGIS planning processes. Another management retreat was held at which FGIS long-range goals were reviewed and refined. The strategic concepts underlying the quality control program and automation program were included as guidance materials in the fiscal year 1988 FGIS Budgets, Work Plans, and Long-Range Information Plans. RM also encouraged the development of a 5-year research plan which is to use the recently established technical advisory board to obtain input from industry and the academic community.

We will purchase a mini-mainframe computer for the National Technical Center, Kansas City to provide for the automation of the quality control program. It will utilize the existing USDA public data network that provides connectivity between our field offices and headquarters computers. Eventually, we will expand the network to all official service points - Federal, official agency and delegated States.

RM coordinated the implementation of (1) productivity measurement under the productivity improvement program; (2) improvement of research contract monitoring; and (3) direct servicing concepts in its personnel and procurement services.

RM initiated actions to improve the management of the human resource component of the FGIS program by making more effective use of Individual Development Plans, and the Quality of Work Life Survey in safety and health programs, training, and personnel management programs.

Safety and Health

An effective safety and health program continues to be a high priority for all employees. Emphases during the past year were in hazard identification and abatement, first aid and cardio-pulmonary resuscitation training, and employee education. Several special emphasis programs such as "Just Say No" (for drugs) and "Stop - Think Safety" were implemented.

Summary of Reported Grain Dust Explosions
Fiscal Year 1987

The following grain dust explosions were reported to FGIS during fiscal year 1987. The reports were received through the cooperation of universities, insurers, trade groups, FGIS personnel, and a news clipping service. FGIS does not investigate grain dust explosions, and the public sector is not required to report explosions to FGIS.

<u>No.</u>	<u>Facility & Location</u>	<u>Date</u>	<u>Injuries</u>	<u>Deaths</u>
1.	Riceland Foods Jonesboro, AR	10/08/86	0	0
2.	Wakes, Inc. Oscalosa, IA	10/29/86	1	0
3.	Continental Grain Tacoma, WA	10/30/86	0	0
4.	Riceland Foods Stuttgart, AR	11/21/86	0	0
5.	Sunray Coop Elevator Lubbock, TX	11/27/86	1	0
6.	ADM - Growmark Peoria, IL	12/15/86	0	0
7.	Harvest States Elevator Morris, MN	12/16/86	0	0
8.	Butler County Landmark Oxford, OH	01/08/87	0	0
9.	Fielddale Farms Baldwin, GA	01/13/87	0	0
10.	Central Soya Elevator Decatur, IN	01/31/87	0	0
11.	Farmers Coop Elevator Buffalo Lake	02/13/87	0	0
12.	ADM Grain Elevator Burlington, IA	04/03/87	5	0
13.	Cargill Chicago, IL	05/28/87	0	0
14.	Countrymark Lima, OH	07/29/87	5	0
15.	Iroquois Farmers Elevator Iroquois, IL	08/07/87	0	0
16.	Northwood Coop Elevator Northwood, IA	09/10/87	0	0
17.	ADM - Growmark St. Louis, MO	09/18/87	0	0
18.	Prairie Vu Inc. Elevator Bethany, MO	09/19/87	<u>3</u>	<u>0</u>
		TOTAL	15	0

STANDARDIZATION DIVISION

Standardization is defined as the act, process, or result of standardizing methodology and measurement of quality and quantity.

Standardization functions include: compiling and evaluating data to develop and update grading standards, developing or evaluating new methodology for determining grain quality and quantity, providing reference standards for official grading methods, and establishing and maintaining testing procedures and maintenance tolerances.

The Standardization Division (ST) administers programs for the development, promulgation, and uniform official application of new and revised U.S. grade standards for grain and other assigned commodity products. Standards are reviewed and updated to reflect changing inspection techniques, to attain uniformity, and to clarify existing technology and procedures. New standards are developed and existing ones revised to assure that the physical and biological characteristics of grains and related commodities are uniformly and accurately described during movement through the marketing system. The standards must reflect changes in production and marketing practices.

Revisions were published for all grains to revise the format of the standards and make other changes to provide uniformity between standards. Standards reviews were completed for peas/lentils, corn, rye, sorghum, wheat, oats, mixed grain, flaxseed, triticale, hay/straw, and insect tolerances for these grains. A notice of final action was published for the U.S. Standards for Beans indicating no change in the standard. Minor changes were made in the U.S. Standards for Lentils whereas no changes were made in the U.S. Standards for Whole Dry Peas and the U.S. Standards for Split Peas. A final rule was published deleting the U.S. Standards for Hay and Straw from the regulations. A final rule was published redefining and standardizing an "infested" condition for grains under the official U.S. Standards for Grain.

The activities of the Research and Development Branch are centered on the development of objective tests for use in the inspection system. This Branch also conducts research in-house, on a contract basis with commercial firms and universities, and

on a reimbursable agreement basis with the ARS. Current contracts and/or agreements cover (1) detection of hidden insect infestation in grain; (2) determination of weed seed toxicity; (3) development of objective procedures for the classing of wheat including the measurement of single kernel hardness; (4) evaluation of devices for separating foreign material from grain; (5) measurement of protein, oil, moisture, etc., on-line using Nuclear Magnetic Resonance; (6) measurement of single kernel moisture content; and (7) detection of odors in grain using objective instrumentation. In-house projects currently in progress include (1) oil and protein by NIR; (2) grinding effect on NIR results; (3) measuring free fatty acid in sunflower and soybean oil; (4) moisture reference method evaluation; (5) kernel hardness instrumentation evaluation; (6) moisture meter evaluation; (7) determination of alpha amylase levels as a means of measuring sprout damage in wheat; and (8) development of performance specifications for Carter-Day dockage testers and electronic testing equipment used in the inspection system. Other ongoing projects include the furnishing of aflatoxin standards to the field offices and also NIR instrument maintenance for the field offices.

The quality control function was transferred from the FM to the ST in fiscal year 1987. Being physically located in the Technical Center in Kansas City and sharing laboratory space with the Research and Development Branch, the Quality Control Branch (QCB) is compatible with the programs of the ST. QCB interacts with all phases of FGIS operations from research and development to on-line program management to assure a uniform quality of certification, to identify and initiate needed action to minimize service delivery problems, and to maintain data on the operational performance of FGIS' standards. Its primary goal is to ensure that the national inspection system provides an official certificate of the highest degree of integrity.

Standardization Program Data

Item	Fiscal Years		
	1985	1986	1987
U.S. Grade Standards in effect	20	20	20
Commodities covered by grade standards	17	17	17
New and revised standards issued during fiscal year	4	1	13*
Revised or reissued standards being developed	1	17	3**
Standards reviews in progress	3	18	16
Standards reviews completed	4	0	16
Inspection techniques developed	8	8	14
Equipment evaluated	10	8	12

* Lentils, Insect Infestation, and Standard Format for the 11 grains.

** Beans, hay, and straw.

COMPLIANCE DIVISION

Compliance is the conformance with all requirements and procedures established by statute, regulation, instruction, or directive so that the managerial, administrative, and technical functions of FGIS are accomplished effectively. Compliance functions include: evaluating alleged violations, and initiating preliminary investigations; initiating the implementation of all necessary corrective actions; conducting management and technical reviews; administering the designation of agencies and the delegation of State agencies to perform official functions; monitoring the performance of the delegated and designated agencies; identifying and, where appropriate, waiving and monitoring conflicts of interest; licensing agency personnel; responding to audits of FGIS programs; and reviewing and, when appropriate, approving fee schedules.

There are 80 State and private agencies designated to provide official services at interior points. Of these, eight are States that are also delegated to perform official inspection and weighing services at export points. Under triennial renewal procedures, 22 agency designations were automatically terminated in fiscal year 1987; and all were renewed after a complete review of their performance. Three agencies voluntarily canceled their designations, and the geographic area serviced by these agencies was reassigned to new agencies following usual designation procedures.

All seven agencies granted discretionary conflict-of-interest waivers continue to operate without significant problems.

Twenty-one new licensee conflict-of-interest situations were evaluated. Sixteen waivers were issued, and one waiver was updated based on the licensee's agreement to comply with the conditions of the waiver. One request for a waiver was denied. Three situations were determined not to be conflicts.

At the beginning of fiscal year 1987, six cases involving alleged violations of the Act and AMA were under active investigation. During this fiscal year, 36 cases were opened and 20 cases were closed, leaving 22 cases under active investigation at the close of fiscal year 87. Violations in these cases included alleged deceptive loading, improper performance of duties, improper sampling procedures (including hand sampling), altering official certificates, intermarket grade differences, accepting gratuities, adulteration of grain, using official terms on unofficial certificates, violating the land carrier fumigation policy, and conflicts of interest. Compliance Division (CP) personnel conducted 14 onsite investigations, 5 cases were

referred to the OIG (they accepted two and declined three), and the FDA accepted two cases we referred to them. Of the 20 cases closed, 14 were closed after appropriate administrative actions were taken, 5 cases were closed due to insufficient evidence to substantiate a violation, and one was closed because it did not involve a violation.

Eighteen actions were handled involving the appearance of FGIS personnel as witnesses in judicial and administrative proceedings, giving written or oral depositions, or supplying official records.

CP personnel conducted six compliance reviews of field office circuits. There were onsite reviews of six field offices and 19 official agencies to evaluate management effectiveness and program compliance. This fiscal year, in addition to the compliance reviews, management evaluation reviews were initiated in two of FGIS' program areas--miscellaneous commodities and protein. FGIS' field offices also conducted onsite management reviews of agencies performing official services. The problems identified during these reviews have been or are in the process of being corrected.

In response to the concerns throughout USDA about discrimination in the delivery of USDA services, the CP included this subject in the scope of field reviews. There were no indications of discrimination in the delivery of FGIS services.

The current compliance program and management review system is not fully implemented. When the 3-year review cycle is completed, our capability to conduct a comprehensive assessment of the national inspection and weighing system will be enhanced. All reviews will be coordinated through a central point which will enable managers to better identify and correct problems in their programs. System problems will also be more readily identified and corrective action taken. In addition, the current FGIS-sponsored research to develop and apply new technology to the inspection system will improve FGIS' capability to evaluate the effectiveness of the system. In summary, the system continues to operate effectively even though problems occur. Corrections and adjustments are made in a timely manner.

Compliance Program Data

ITEM	:	Fiscal Years		
		1985	1986	1987
Agency delegations and designations	:	82	80	80
Designations renewed	:	27	27	22
State delegations at export port locations	:	8	8	8
Registration certificates issued to grain firms	:	128	110	98
Licensees:	:			
Inspectors	:	854	808	829
Weighers	:	205	152	141
AMA Inspectors	:	116	114	104
Samplers/Technicians (Approximate)	:	1800	1650	3,100

INTERNATIONAL MONITORING

The International Monitoring program functions include (1) foreign travel to explain FGIS' inspection and weighing procedures; (2) monitoring grain shipments at destination ports to compare origin and destination quality; (3) briefings for visiting foreign agricultural officials and others on FGIS procedures to obtain information on the quality of U.S. grain shipments; and (4) written or onsite responses to complaints on grain shipments received through the Foreign Agricultural Service (FAS) and other sources.

FGIS received 59 quality complaints and 1 quantity (weight) complaint in fiscal year 1987, compared to 42 quality and 3 quantity complaints in 1986. In 1987, the tonnage involved in foreign complaints on quality represented 3.7 percent by weight of the total tonnage exported, compared to 1.8 percent in 1986. Of the complaint investigations that have been completed for 1987, none were deemed valid; that is, no errors or incorrect procedures at the time of the original inspection or weighing could be identified.

Fifteen wheat protein content complaints were received in 1987. Therefore, FGIS conducted an intensive investigation, including monitoring four wheat cargoes shipped to nine destination ports in Asia. As a result, changes were made in the monitoring and in the procedures of the protein program which reduced the number of protein complaints.

Soybean merchandising problems during 1985 and 1986 were of great concern. As a result of collaborative studies, the FGIS interpretive line for damage in soybeans was tightened in 1987. As anticipated, buyer satisfaction was greatly increased this year.

Foreign material and infestation were factors in many of the other complaints.

Summary of Foreign Monitoring
Team Activities by Country Visited
Fiscal Year 1987

Purpose	Representatives	Country Visited	Dates
1. To investigate fumigation problems.	1	Puerto Rico, Dominican Republic	10/29-11/07/86
2. To attend the International Association of Seed Crushers' 62nd World Congress, and to investigate grain quality problems.	1	India, Singapore, Japan	11/28-12/04/86
3. To participate in the FAS Strategic Planning Workshop.	1	Belgium	12/09-12/12/86
3. To participate in a planning session for future grain quality seminars.	1	Mexico	01/14-01/16/87
4. To monitor wheat protein.	1	Singapore, Malaysia, Thailand, Indonesia	01/23-02/25/87
5. In response to foreign complaints.	1	Tunisia, Saudi Arabia, Egypt, Yemen, Spain, Yugoslavia	02/05-03/07/87
6. To participate in a marketing seminar sponsored by U.S. Wheat Associates.	1	Venezuela	02/09-02/12/87
7. To attend NIR-protein training.	1	Canada	02/09-02/13/87
8. To participate in a grain inspection seminar.	1	Canada	03/12/87
9. To participate in a marketing seminar sponsored by U.S. Rice Council.	1	Iraq	03/20-03/27/87
10. To participate in a grain grading seminar.	1	Mexico	03/21-03/25/87
11. To participate in marketing seminars for U.S. Wheat Associates.	1	Egypt, Jordan, Iraq	03/23-04/07/87

Purpose	Representatives	Country Visited	Dates
12. To collect and analyze foreign grain inspection procedures for the Office of Technology and Assessment.	1	Brazil, Argentina	03/26-04/26/87
13. In response to a foreign complaint.	1	USSR	05/04-05/12/87
14. To participate in grain marketing seminars.	1	Colombia, Ecuador	05/17-05/23/87
15. In response to a foreign complaint.	1	Guatemala	06/17-06/20/87
16. To participate in grain marketing seminars sponsored by U.S. Feed Grains Council.	1	Morocco, Algeria	06/20-06/28/87
17. To participate in an Inter-national Milling Course.	1	Canada	06/23-06/25/87
18. To observe the discharge of U.S. wheat vessels.	2 2	Singapore, Malaysia, Japan	06/25-07/11/87
19. To participate in a CODEX meeting.	1	Italy	06/27-07/11/87
20. In response to a foreign complaint.	1	Greece	07/11-07/14/87
21. In response to a foreign complaint.	1	Egypt	08/16-08/27/87
22. In response to a foreign complaint.	1	Romania	08/19-08/24/87
23. To collect data for a study being conducted by the Office of Technology Assessment.	1	France	08/29-9/13/87
24. To participate in a grain marketing seminar sponsored by U.S. Wheat Associates.	1	Mexico	08/31-09/03/87
25. To participate in grain marketing seminars sponsored by U.S. Wheat Associates.	1	Taiwan, Philippines	09/11-09/26/87

Purpose	Representatives	Country Visited	Dates
26. To participate in grain marketing seminars sponsored by U.S. Wheat Associates.	1	Venezuela, Dominican Republic, Jamaica, Guatemala	09/13-09/22/87
27. In response to a foreign complaint.	1	USSR	09/13-09/26/87
28. To monitor the discharge of a vessel of U.S. wheat.	1	Peru	09/28-10/09/87

Summary of Briefings with Foreign Trade
and Governmental Teams, Fiscal Year 1987
Listed by Area

Africa

No. of teams

1. Algeria	1
2. Cote d'Ivoire	1
3. Morocco	1
4. Tunisia	1

Asia

1. China (PRC)	1
2. Japan	8
3. Korea	3
4. Taiwan (ROC)	1

Caribbean

1. Jamaica	1
------------	---

Europe

1. Spain	1
2. Switzerland	1
3. Turkey	2

Latin America

1. Brazil	1
2. Costa Rica	1
3. El Salvador	1
4. Guatemala	1
5. Honduras	1

Near East

1. Egypt	1
2. Israel	1
3. Yemen	<u>1</u>

TOTAL	30
-------	----

Summary of Inspection and Weighing
Foreign Complaints, Fiscal Year 1987

Country	Grain	No. of Complaints	Nature of Complaint
AFRICA			
Algeria	Wheat	1	Infestation
	Corn	1	Heat damage
	Barley	1	Dockage, foreign material, and broken kernels
Tunisia	Wheat	1	Sand, dust
	Corn	1	Sand, dust
ASIA			
Japan	Wheat	3	Protein
	Wheat	1	Falling numbers
	Wheat	1	Weight
Korea	Wheat	1	Protein
	Corn	3	Foreign material
	Corn	2	Broken corn and foreign material
	Corn	2	General quality
Malaysia	Wheat	5	Protein
	Wheat	1	Dockage, foreign material, shrunken and broken kernels
Pakistan	Wheat	1	Dockage, foreign material, shrunken and broken kernels
Philippines	Wheat	1	Dockage, foreign material, moisture, and vitreous kernels
Singapore	Wheat	1	Protein
Taiwan	Corn	1	Broken corn and foreign material
Thailand	Wheat	1	Protein
	Wheat	1	Foreign material

Country	Grain	No. of Complaints	Nature of Complaint
EUROPE			
Belgium	Soybeans	1	Moisture, splits, and damage
Bulgaria	Corn	1	Weed seeds
Germany	Soybeans	2	Foreign material, damage, oil, free fatty acids
Greece	Soybeans	1	Foreign material, weight
Italy	Wheat	1	Foreign material, damage, shrunk and broken kernels
Netherlands	Soybeans	1	Foreign material
Portugal	Corn	2	Moisture, broken corn and foreign material, damage
Romania	Soybeans	1	Foreign material, damage
Russia	Wheat	1	Infestation
Spain	Soybeans	1	Foreign material, damage
Sweden	Wheat	1	Falling numbers, damage, and shrunk and broken kernels
LATIN AMERICA			
Ecuador	Wheat	3	Protein
	Wheat	1	Foreign material
	Wheat	1	Infestation
Guatemala	Corn	1	Aflatoxin
Mexico	Wheat	1	Foreign material, damage, test weight, total defects, wheat of other classes
	Corn	1	Broken corn and foreign material

Country	Grain	No. of Complaints	Nature of Complaint
Peru	Wheat	1	Protein
	Wheat	1	Wheat of other classes
	Corn	2	Broken corn and foreign material
Venezuela	Wheat	1	Dockage, foreign material, shrunk and broken kernels

NEAR EAST

Egypt	Wheat	2	Infestation
Israel	Soybeans	2	Foreign material
Jordan	Wheat	1	Dockage, foreign material, shrunk and broken kernels, infestation
Saudia Arabia	Corn	1	Broken corn and foreign material
Syria	Corn	1	Broken corn and foreign material, damage
Yemen	Wheat	1	Dockage
	Wheat	1	Distinctly low quality
	Wheat	1	Wet grain
TOTAL *		59	

* A total of 59 complaints were received. This column does not add up to 59 because some complaints involved more than one factor.

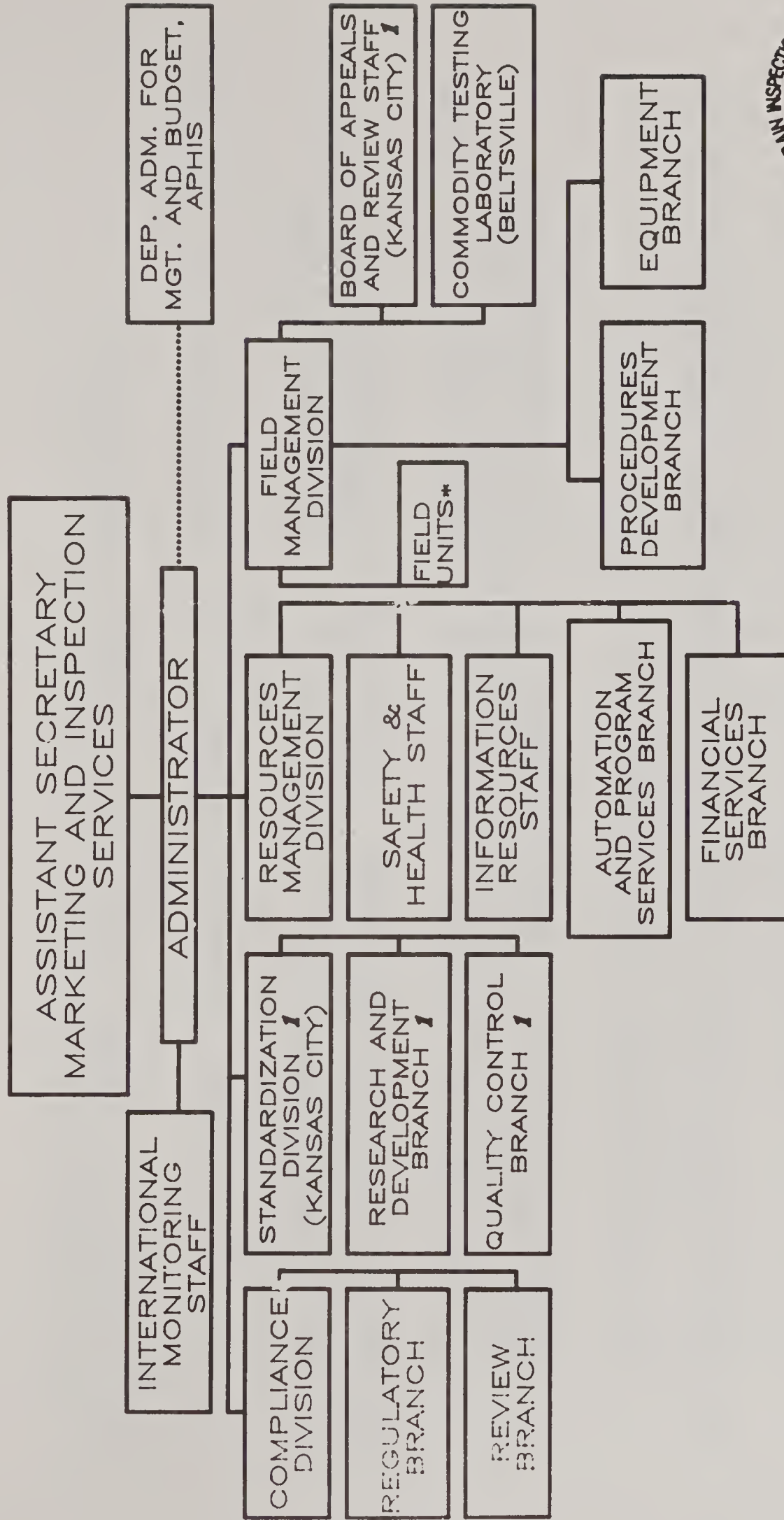
Three-Year Summary of Foreign Grain Complaints

<u>Total Complaints</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	
Valid	1	0	0	
Nonvalid	<u>73</u>	<u>45</u>	<u>45</u>	<u>1/</u>
Total	74	45	59	
Quality	71	42	59	
Quantity	<u>3</u>	<u>3</u>	<u>1</u>	
Total	74	45	59	<u>2/</u>
Export Volume Inspected (Million metric tons)	101.1	82.8	94.9	
Complaints Tonnage (Million metric tons)	2.2	1.5	3.5	
Complaints Percentages (Basis tonnage shipped)	2.15	1.84	3.69	
Valid Complaints Percentages (Basis tonnage shipped)	0.010	0.000		<u>1/</u>

1/ At time of preparation, 45 complaints had been investigated and closed; 14 complaints still were under investigation.

2/ The quantity complaint also included quality.

APPENDIX



* 28 FIELD OFFICES AND 8 SUBOFFICES
 2 FEDERAL—STATE OFFICES
 80 OFFICIAL AGENCIES
 345 SPECIFIED SERVICE POINTS
 ----- DELEGATED ADMINISTRATIVE SUPPORT FUNCTIONS
 1 FGIS NATIONAL TECHNICAL CENTER



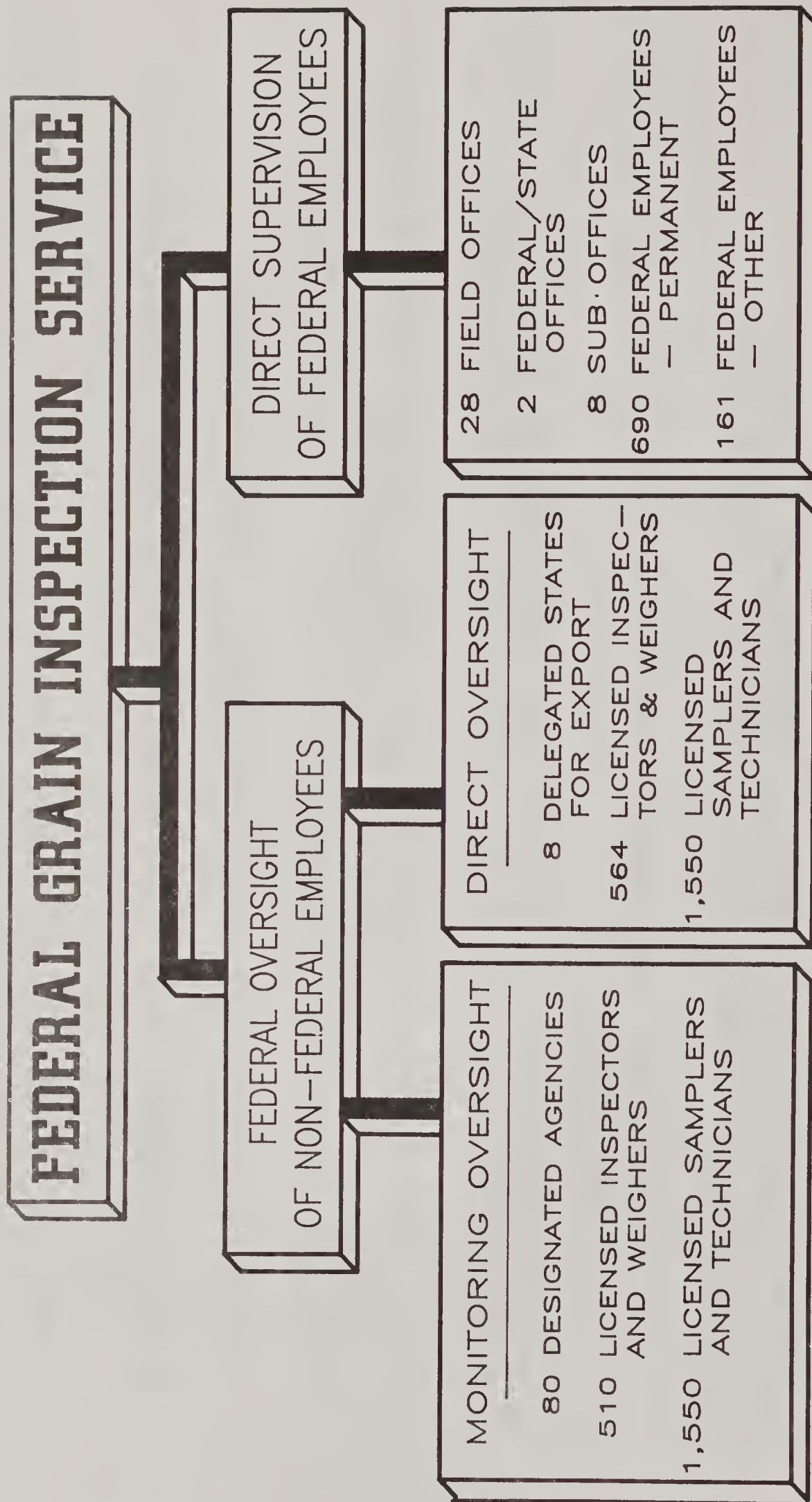
FGIS OFFICIAL INSPECTION AND WEIGHING SERVICES

- Development of official standards and procedures
- Application of standards uniformly by official personnel
- Application of official inspection and weighing procedures
- Designation of official agencies
 - Exclusive geographical service area
 - Authorization to issue official certificates
- Monitoring of official agency performance
- Enforcement of regulations

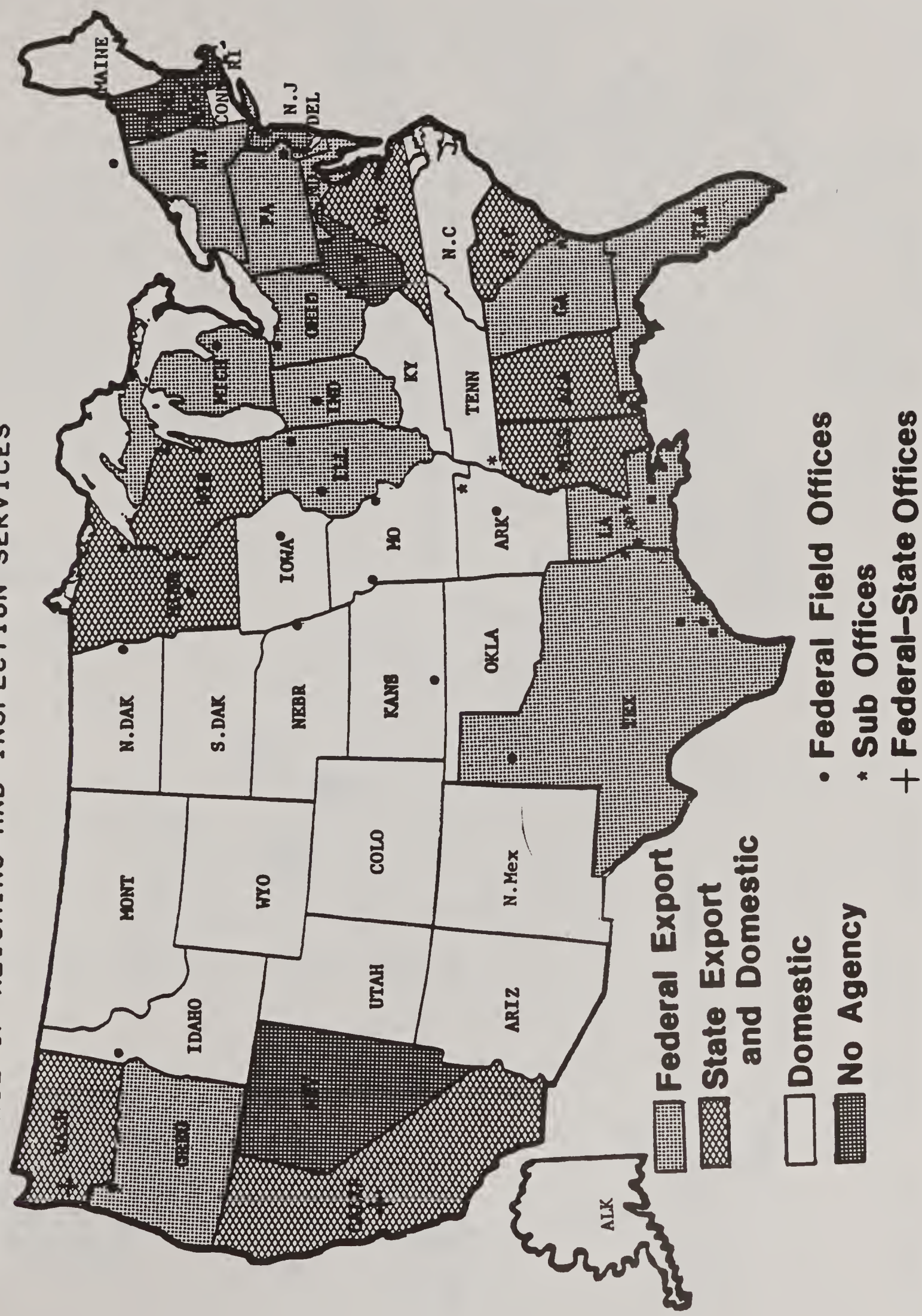
FGIS OFFICIAL INSPECTION AND WEIGHING SERVICES

- Mandatory inspection and weighing of grain at export
- Permissive inspection and weighing of grain at interior points
- Permissive inspection and weighing of rice and grain-related commodities at export and interior points
- Reinspection and appeal inspection
- Oversight of delegated and designated agencies providing official services
- Supervision of the performance of approved weighers
- Check testing of official inspection equipment
- Scale and related weighing equipment testing

Official Inspection and Weighing Oversight

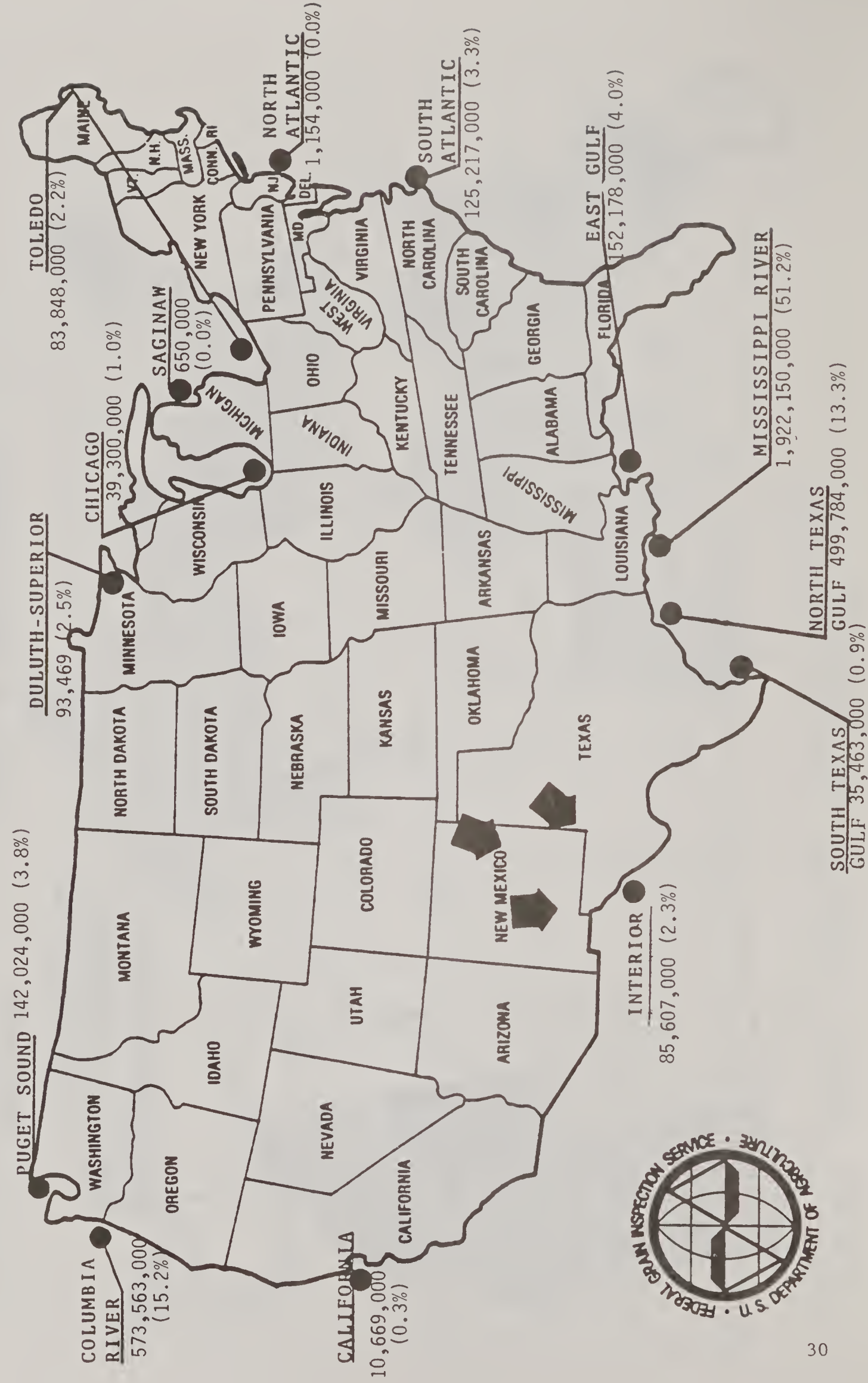


FEDERAL GRAIN INSPECTION SERVICE
PERFORMANCE OF WEIGHING AND INSPECTION SERVICES



Export Inspections/Weighing by Port Area for Fiscal Year 1987

OCTOBER 1986 - SEPTEMBER 1987 3,764,076,000 BUSHELS



FEDERAL GRAIN INSPECTION SERVICE
Status of Fee Supported Accounts
Fiscal Year 1987
(Dollars in Thousands)

Program	Revenue 9/30/87	Obliga- tions 9/30/87	Profit/ (Loss) 9/30/87	Unobligated Funds 9/30/87
<u>Grain Standards Act</u>				
Original Inspection	\$12,610	\$11,828	\$782	\$(887)
Canadian Operations	227	378	(151)	(648)
U.S. Appeals	1,131	1,077	54	(836)
Original Weighing	6,775	5,395	1,380	2,848
Supv. of Official Agencies	2,173	2,147	26	4,435
Registration	17	13	4	7
GSA Subtotal	22,933	20,838	2,095	4,919
<u>Agricultural Marketing Act</u>				
Rice Inspection	4,090	3,774	316	1,005
Misc. & Proc. Comm.	5,310	4,774	536	4,599
Misc. Agreements	48	130	(82)	(61)
AMA Subtotal	9,448	8,678	770	5,543
FGIS Total FY 87	32,381	29,516	2,865	10,462
Prior Years Adjustments	830	(53)	883	
FGIS Fee Total	33,211	29,463	3,748	10,462 <u>1/</u>

1/ Represents 4.3 months operating costs.

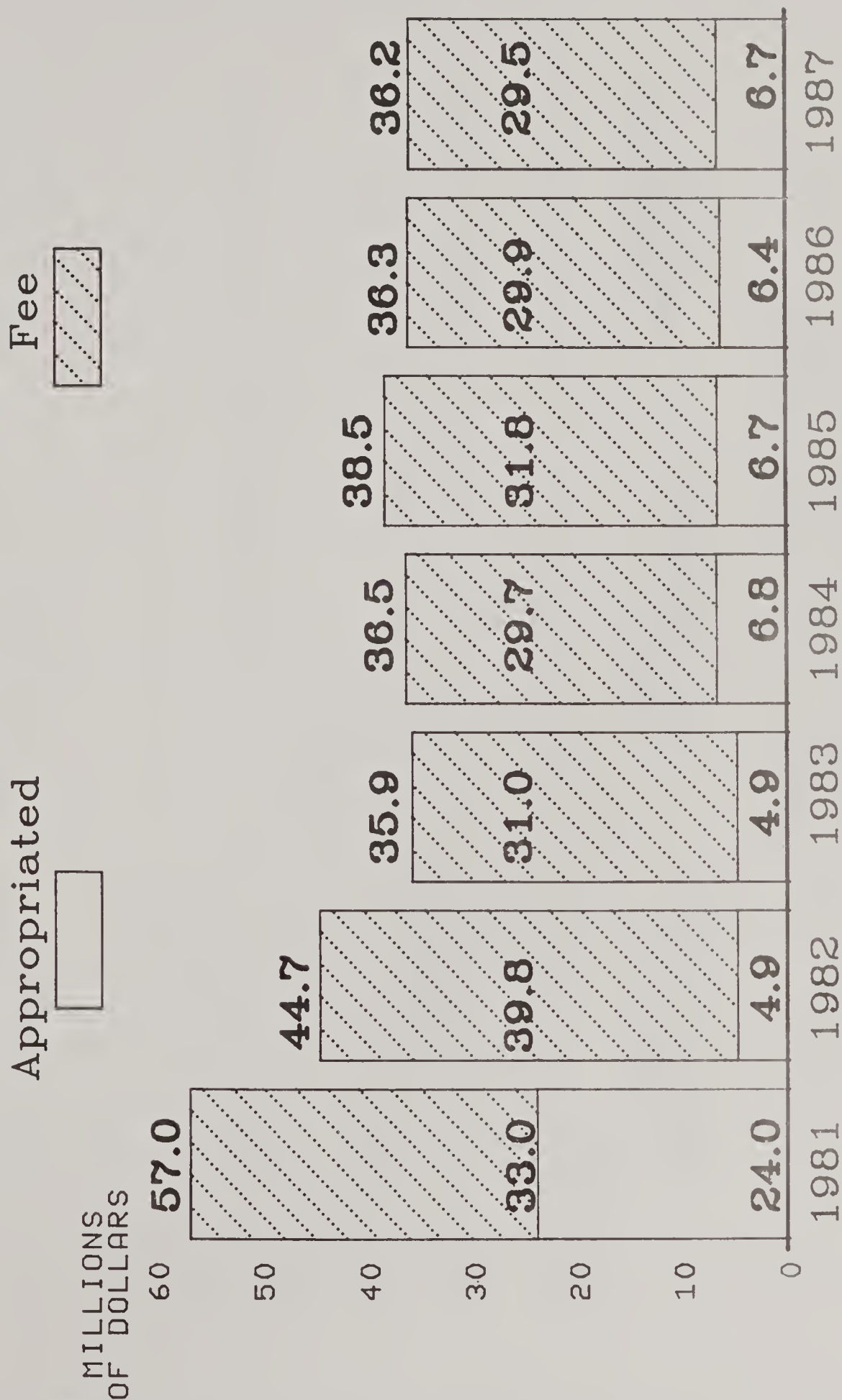
October 21, 1987

Ten-Year Financial History of F61S
Appropriated Fund
(Dollars in Thousands)

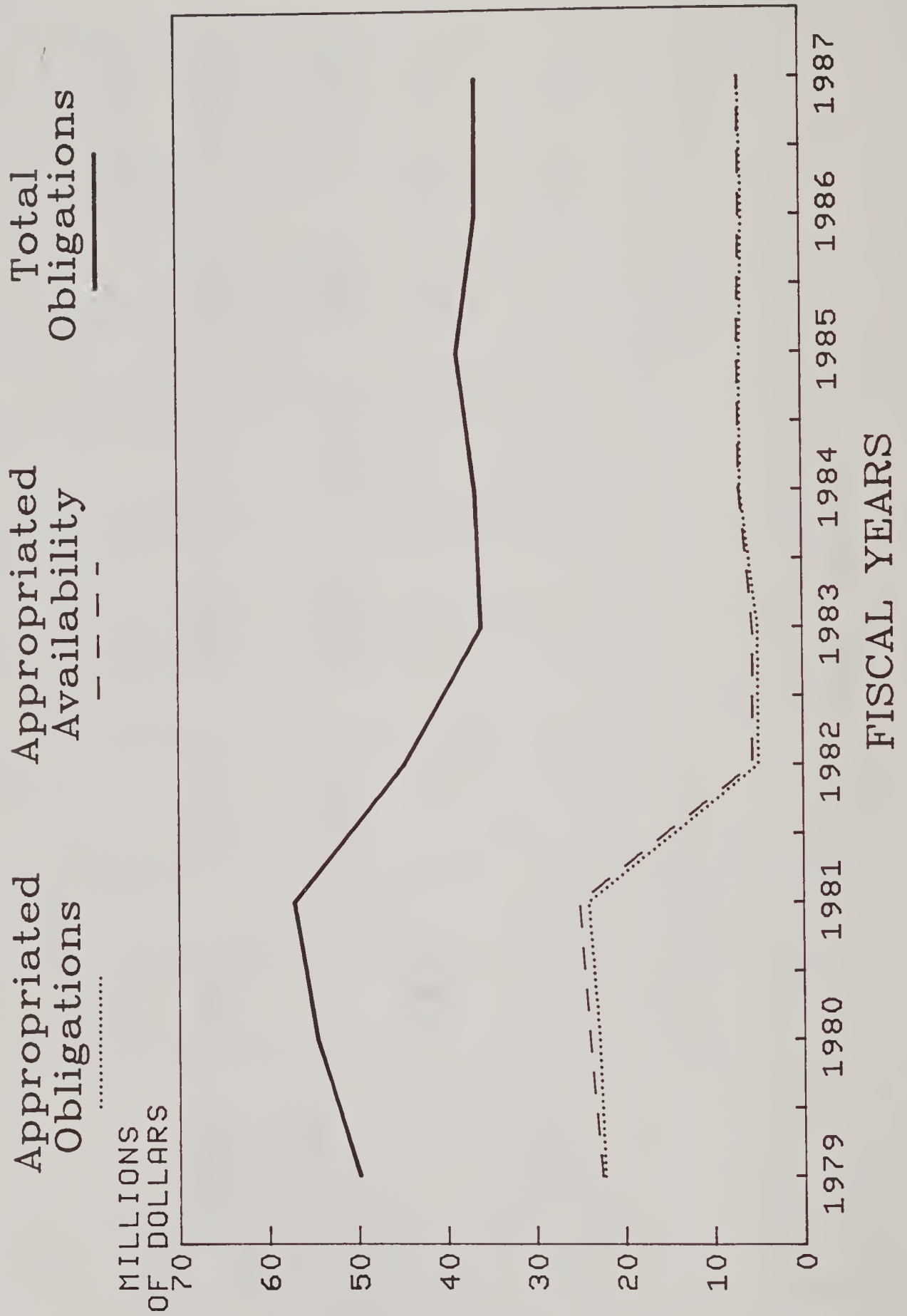
DESCRIPTION	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977								
Budget Authority	\$6,826	\$6,702	\$6,994	\$6,861	\$5,548	\$5,600	\$25,062	\$23,971	\$22,680	\$17,460	\$8,522								
Personnel Compensation	3,877	3,768	3,731	3,684	2,439	2,798	14,852	13,336	12,261	8,363	1,480								
Personnel Benefits	552	494	493	532	296	231	1,550	1,382	1,511	857	160								
Benefits to Former Pers.	62	22	72	99	643	617	7	0	0	0	0								
Travel & Transp. of Pers.	315	244	254	276	171	199	1,049	1,135	1,388	1,070	207								
Transportation of Things	34	32	23	23	14	13	107	130	194	121	8								
Standard Level User Charges	0	0	0	0	0	271	891	861	688	413	131								
Rental Payments to Others	22	19	29	0	0	0	0	0	0	0	0								
Comm., Utilities, etc.	204	270	225	236	173	154	938	583	422	318	15								
Printing & Reproduction	32	34	37	47	13	34	101	194	150	862	180								
Other Services	1,182	1,115	1,386	1,557	831	542	4,198	4,221	4,667	3,350	1,459								
Supplies & Materials	142	147	129	105	68	41	256	298	366	213	133								
Equipment	271	256	306	202	270	48	84	686	692	1,363	1,358								
Insurance Claims & Indemn.	0	0	0	0	0	0	2	3	2	0	0								
TOTAL OBLIGATIONS	6,693	6,401	6,685	6,761	4,918	4,948	24,035	22,829	22,341	16,930	5,131								
Unobligated Balance Lapsing	\$133	\$301	\$309	\$100	\$630	\$652	\$1,027	\$1,142	\$339	\$530	\$3,391								
STATISTICAL DATA																			
Total # of Permanent Positions:	116	118	97	135	75	76	659	821	830	715	170								

10/21/87

FGIS Appropriated and Fee-Supported Expenditures

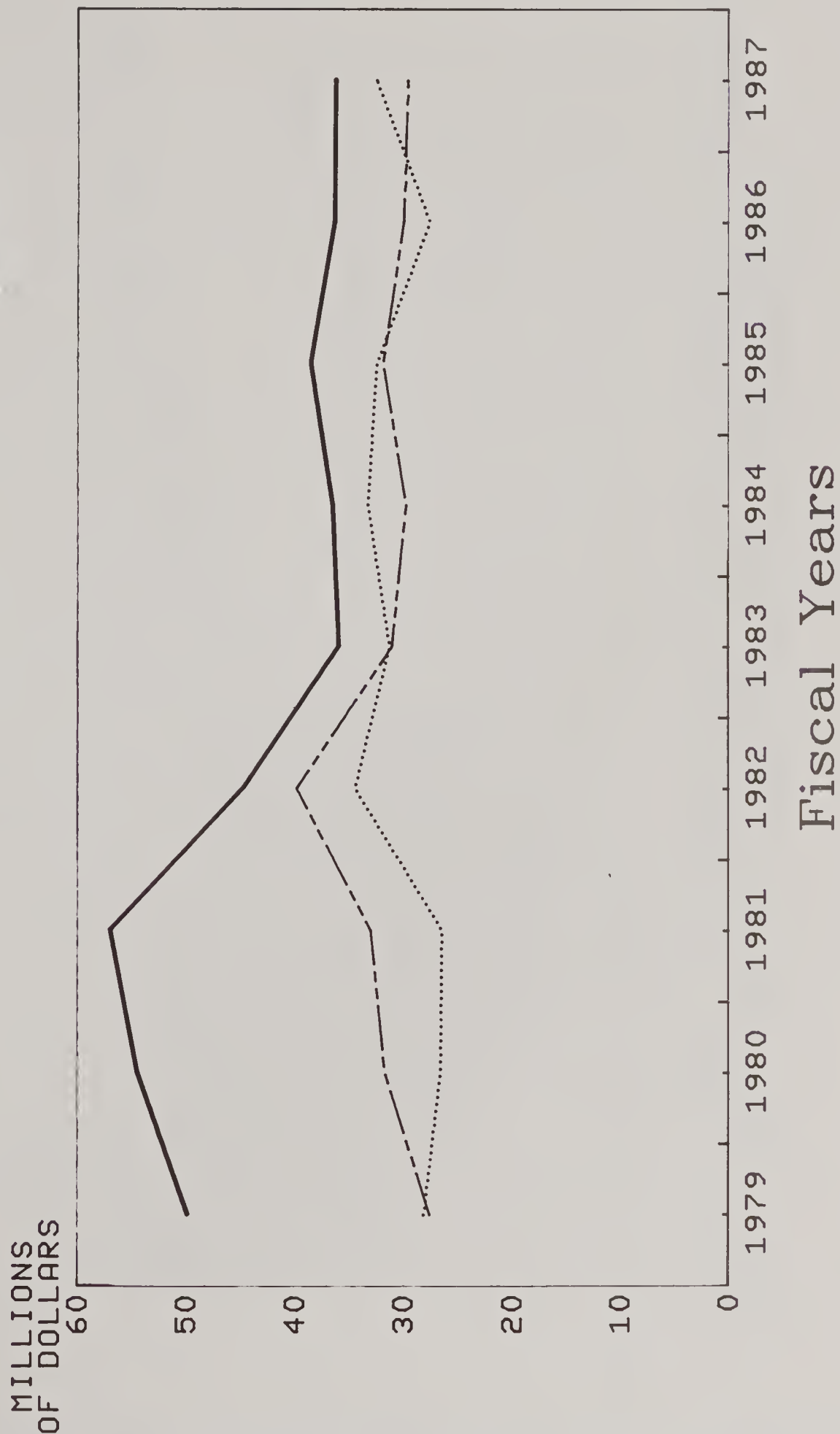


FGIS Appropriated Funds Availability and Obligations



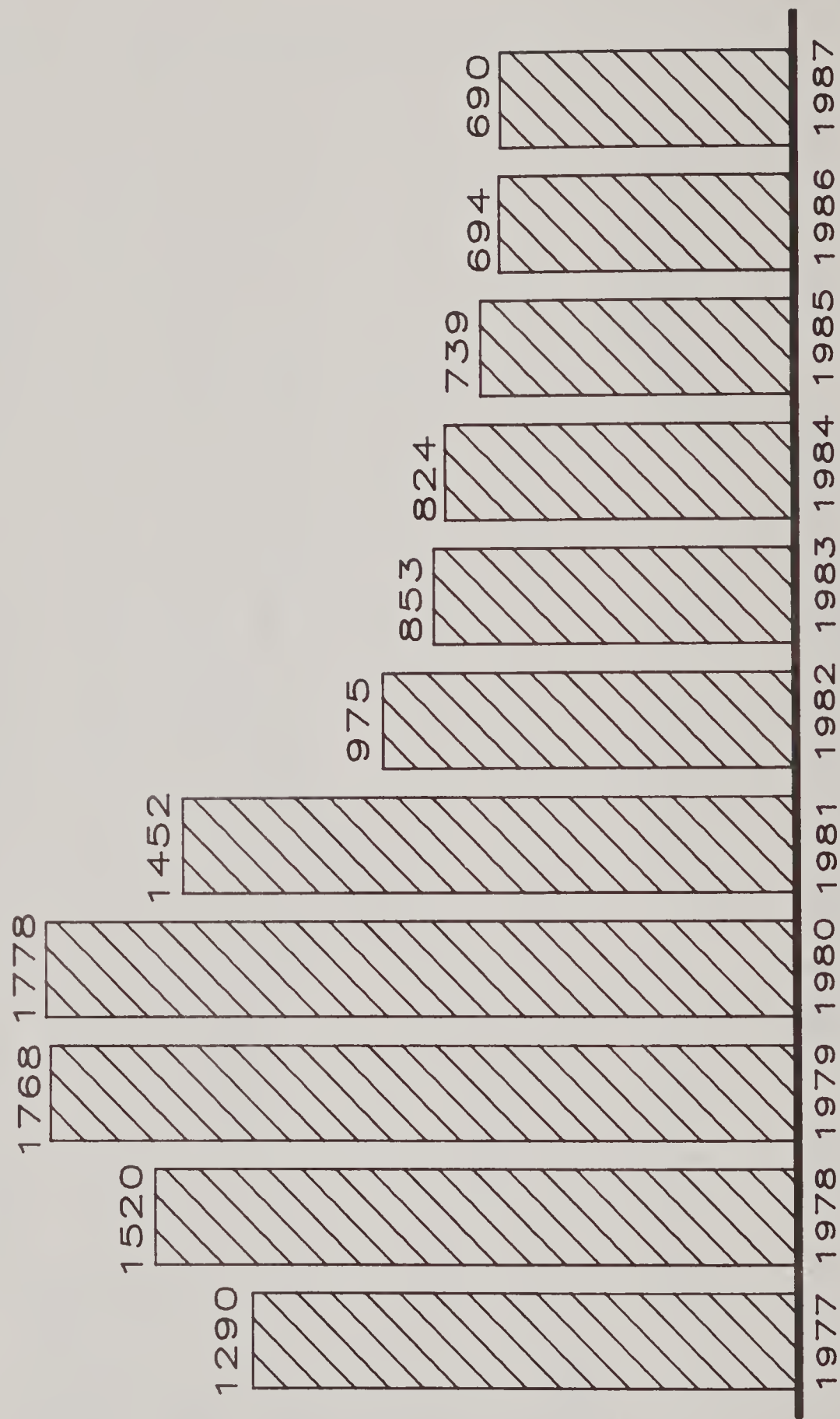
FGIS Revolving Funds Revenues and Obligations

Revolving Fund Revenues
 Revolving Fund Obligations -----
 Total Agency Obligations _____



FEDERAL GRAIN INSPECTION SERVICE FULL-TIME PERMANENT EMPLOYMENT HISTORY

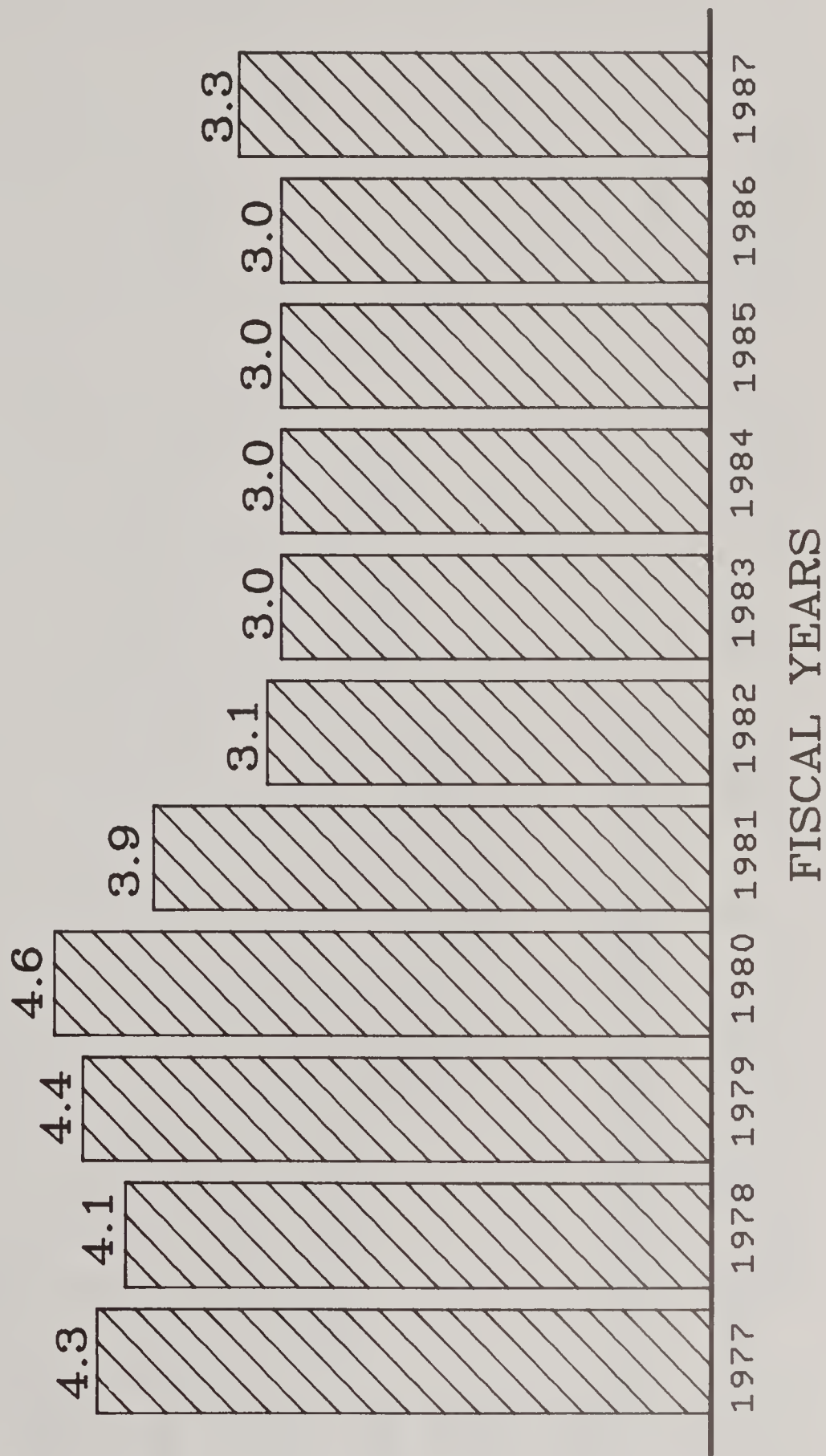
NUMBER OF EMPLOYEES



FISCAL YEARS

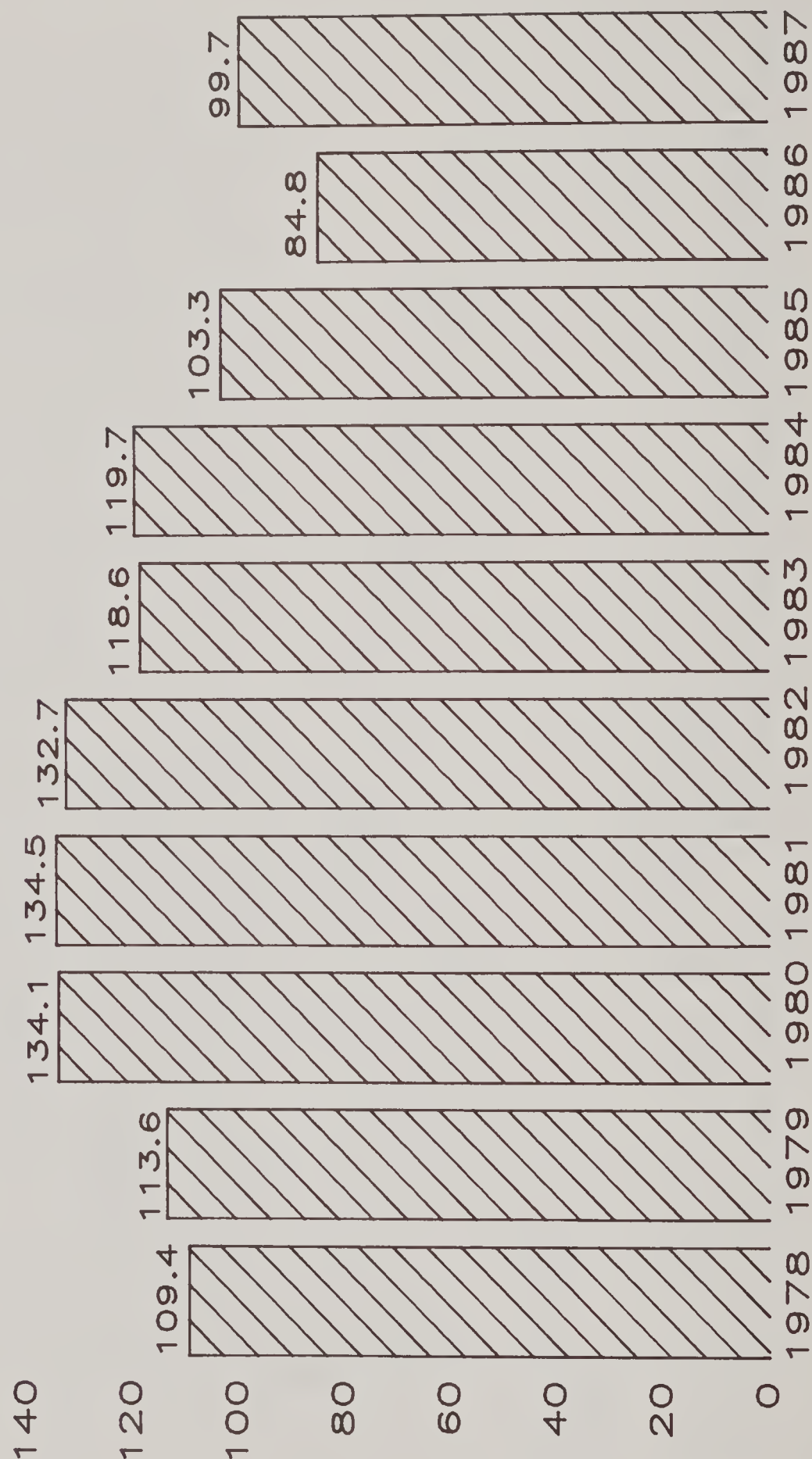
Federal Grain Inspection Service Number of Inspections

MILLIONS
OF INSPECTIONS



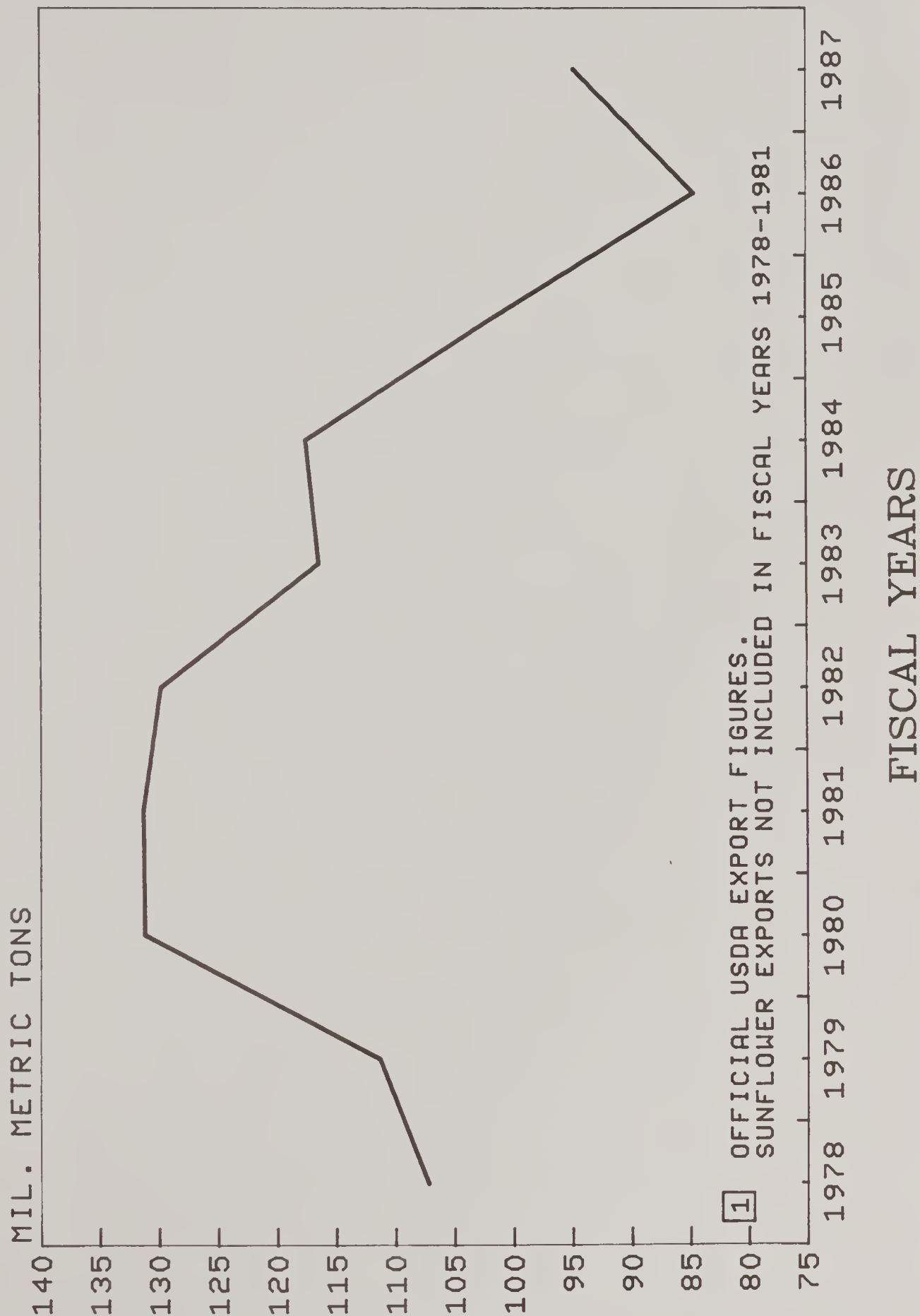
U.S. Agricultural Exports—Wheat, Coarse Grains, Soybeans, Rice and Sunflower

160
MILLION METRIC TONS



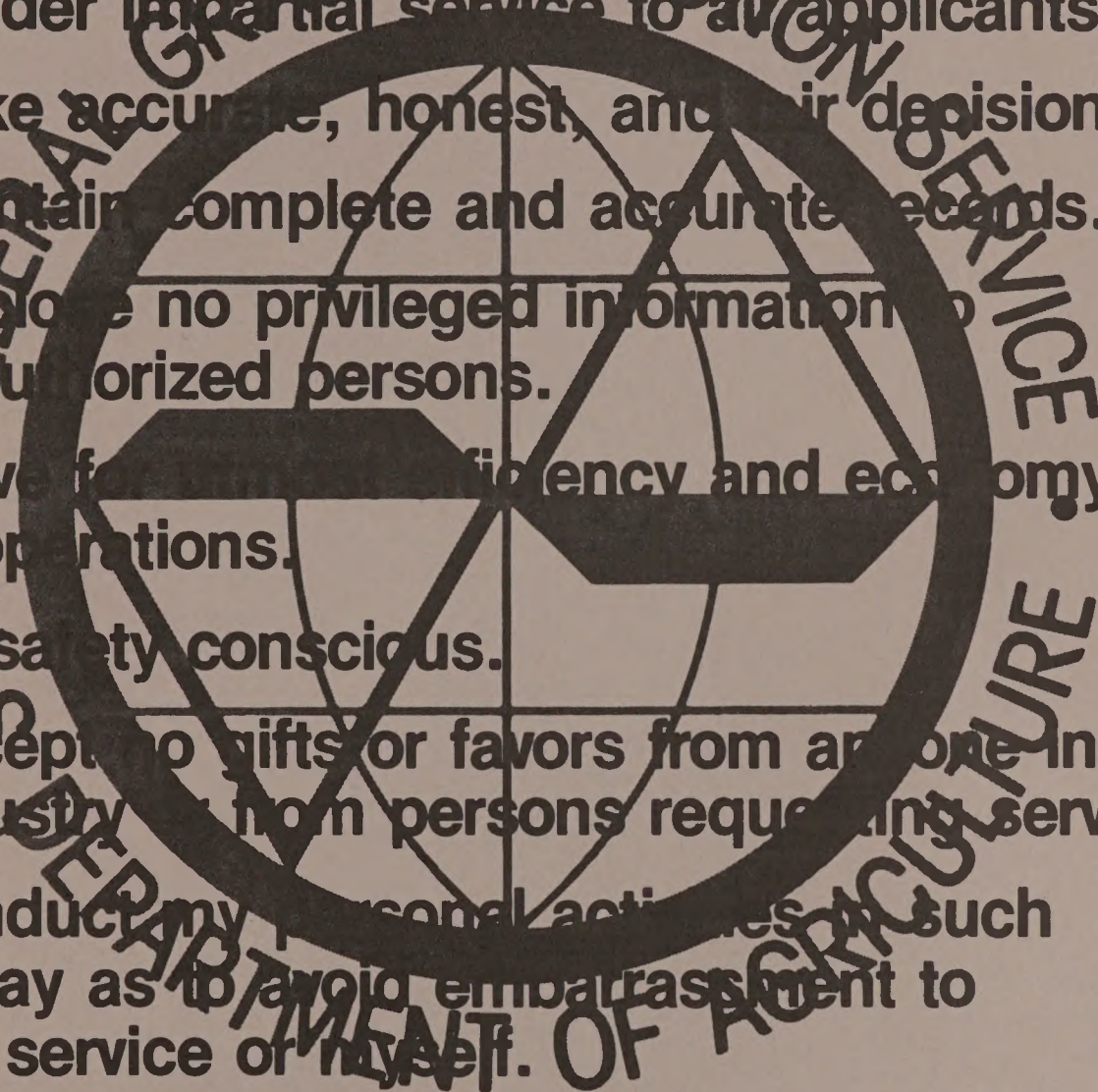
FISCAL YEARS

U.S. Exports—Grain, Rice, Soybean, and Sunflower^[1]



Code of Ethics

Federal Grain Inspection Service

- 
1. Render impartial service to all applicants.
 2. Make accurate, honest, and fair decisions.
 3. Maintain complete and accurate records.
 4. Disclose no privileged information to unauthorized persons.
 5. Strive for maximum efficiency and economy in operations.
 6. Be safety conscious.
 7. Accept no gifts or favors from anyone in the industry or from persons requesting services.
 8. Conduct my personal activities in such a way as to avoid embarrassment to the service or myself.
 9. Display a high sense of loyalty and pride in the service.
 10. Do my best . . . be a professional.
 11. Provide an honest day's work for an honest day's pay.

